

MINUTES OF THE TOWN OF WAYNESVILLE BOARD OF ALDERMEN
SPECIAL CALLED MEETING
June 22, 2015

THE WAYNESVILLE BOARD OF ALDERMEN held a special called meeting on Monday, June 22, 2015 at 7:00 p.m. in the conference room of Municipal Building, 16 South Main Street, Waynesville, NC.

A. CALL TO ORDER

Mayor Brown called the meeting to order at 7:05 p.m. with the following members present:

Mayor Gavin Brown
Alderman Gary Caldwell
Alderman Julia Freeman
Alderman J. Wells Greeley
Alderman LeRoy Roberson

The following staff members were present:

Marcy Onieal, Town Manager
Amie Owens, Town Clerk
Eddie Caldwell, Finance Director
Rhett Langston, Recreation and Parks Director
Margaret Langston, Human Resources Manager
David Foster, Public Services Director
Joey Webb, Fire Chief
Bill Hollingsed, Police Chief

The following members were not present:

Woodrow Griffin, Town Attorney

The following individuals were also present:

Louis Davis, Utility Technologies & Electrical Consulting, Inc.
Ted Orell, Utility Technologies & Electrical Consulting, Inc.

1. Welcome

Mayor Gavin Brown welcomed everyone to the meeting and noted that this was a special called meeting to address two specific FY15/16 budget issues.

B. NEW BUSINESS

2. Budget Discussion

UTEC

Manager Onieal explained that the Mayor had requested this meeting so that staff might provide additional information related to two budget related questions that had recently been brought forward by two board members. Manager Onieal began the discussion around the UTEC consulting

projects, by introducing Louis Davis and Ted Orell, two of the company's engineers, who had previously met with the Board during a day-long board retreat on March 28, 2015..

Mayor Brown commented that the board may not have understood the depth and breadth of the projects with UTEC. As the UTEC contract has generated much expense, it is important to discuss the appropriation of funds, and which projects are being completed as part of the contract.

Manager Onieal reminded members that in December 2014 and January 2015, during the wholesale power discussions, UTEC was engaged to assist Nova Energy Consultants with the review and evaluation of the proposals submitted for energy services and then to conduct an operational and technical assessment of the electric division for the Town. Manager Onieal provided members a copy of excerpts from those meetings and the UTEC contract. She noted that the contract was an open-ended contract for service specifying terms and rates that was subject to specific project proposals that were to occur over an 18 month period on an as-needed basis, a listing of which was provided to the board at their retreat in March. Manager Onieal reminded members that at the budget workshop in March UTEC provided an update and highlighted the various projects that were being undertaken as part of their lengthy presentation. She also provided a copy of the budget amendment approved by the Board on March 28, 2015 which transferred \$555,000 from the Sewer Fund as repayment to the Electric Fund, for a previous loan, and was specifically allocated to consulting services to pay for the UTEC contract.

The March presentation provided an overview of all the projects planned, but did not provide a break down of costs per project or work detail per project. Manager Onieal provided a spreadsheet broken down by individual project and the projected costs. She noted that the upper fee limits were noted as a maximum amount based on the best estimate at the time of the proposal from UTEC. Manager Onieal reiterated that this does not mean that all of these funds will be used, or that all of these projects would be pursued. She explained that the cost estimate as of June 30 was \$139,600, with actual expenditures as of June 16 being \$96,650.

Manager Onieal reported that she, the Finance Director, and Public Services Director have talked at length about the power system over an extended period of time with both sets of consultants and that we all would provide an update to the board regarding specific activities within the project areas and answer any questions the board may have at any time. She noted that a full one-third of the Town's revenue is generated by the Town's electric system and that the importance of maintaining the profitability, reducing liability, maintaining service reliability, and ensuring safety for our employees and the public were all paramount considerations in entering into this contract with UTEC at a critical time of transition for our electric system, and that is precisely what the Board had emphasized in unanimously supporting the proposal back in March. She emphasized again that the project estimates were "not-to-exceed" cost estimates and that ultimately, it may be determined that not all projects would be necessary or that some projects could be done at a lower cost than originally anticipated, in which case, the funds would not be expended. The contract with UTEC, does not tie the Town to expending any particular amount with UTEC or any other vendor, for that matter, but simply identifies the professional support necessary to meet necessary performance benchmarks and standards.

Mr. Orell noted again that the UTEC agreement was a general services contract with nothing specific identified, and projects would be added as need are identified or arise. The first project that UTEC did was the evaluation of power supply proposals from Duke Energy, Southern Power and Santee Cooper. Mr. Orell added that the first project was capped at \$25,000, which was knowingly not an

adequate amount, as a courtesy and to show UTEC's commitment to working with the Town. The actual costs would have been \$46,000.

Mr. Orell explained that the contract allows for multiple types of work to be done under this contract without establishing a specific fee or scope and having to have additional contract signings and reviews by legal counsel, etc. This contract prevents unnecessary waiting if an issue is discovered, or if an estimate or a proposal is required, UTEC would submit the information for approval, but could not move forward without approval. He also noted that there is no payment for a service until it is needed. While there have been estimates set and recommendations made, the actual cost of projects will not be billed until the service is rendered.

Mr. Orell updated the board on the major project initiatives and noted that due to the relationship that UTEC has with Santee Cooper having recently completed another negotiation for a municipality, the contract negotiation for Waynesville has been fairly simplified. The majority of the details have been hammered out and a conference call is scheduled for June 23 to address any concerns. He added that while there is no fixed fee for contract negotiation based on the various required legal reviews, the current costs are at \$4,600, with contract closure expected soon.

Mr. Orell went on to explain that the next project was to evaluate the entire electric system, with Mr. Davis providing oversight, to determine what condition the system is in, how the system operates and what needs to be done to improve operations. He noted that the result of this assessment was provided to the Board at their March 27 meeting including a list of projects recommended for completion. Mr. Orell called specific attention to the lack of documented distribution standards. While he noted that the system is well constructed and well maintained, no standards related to the system were available in a centralized location and specific to the Town of Waynesville. There is no such documentation at present.

Alderman Roberson commented that in speaking with employees, they have used the Duke Energy standards and Haywood EMC standards and should have a manual for that. Mr. Davis answered that the Town has no current manual itself and the most recent construction standards manual available is one from the 1990's from ElectricCities and none has ever been formally adopted as standard by the Town's Electric Division. He added that the standards are going to be different from organization to organization. For example: one standard may have clearance recommendation of 48 inches, another may have 60 inches. Alderman Freeman noted that while the electric division had been using other standards in the past, they were not specific for the Town of Waynesville which is what UTEC is working with the staff to create. Alderman Roberson asked, wouldn't the staff be meeting the standards in the manual they had been using? Mr. Davis noted that that may have been true, but without documentation and no manual to use to build new lines or replace lines, this sets the town up for huge liability and risk and it is certainly a problem if the standards are changing depending on which company's construction manual you happen to be using at any given time.

Mr. Davis explained that there will be Town of Waynesville specific distribution standards that will be presented for adoption. Mr. Davis and the crew are painstakingly going over the standards in an effort to try and save money by not having to purchase new poles and place them if they meet the current standard. By having the town specific standards and having them readily available, they can be updated by staff as necessary.

Mr. Orell added that UTEC is helping to identify the resources available for the Town. UTEC has made recommendations about key projects. Mr. Orell commented that he hoped that the board has a clearer picture of what UTEC has done and what benefit they are to the Town. He added that the areas identified needed to be addressed by someone – UTEC or otherwise.

Another project Mr. Orell addressed was the GIS mapping. The electric system has GIS mapping that has not been used and is outdated. This project utilizes one technician to go to each structure and get the current updated location including what is on each pole and where it is located. Again he noted that the upper fee limit was included for this project. In the event that there was a chance of exceeding this limit, UTEC would notify the manager and get approval before any further action is taken. Mr. Davis is managing operations of the electric division and implementing certain objectives on site, but he has other project work he is doing for UTEC and although he can work from any location, the Town of Waynesville is only charged for what he does for the town – whether on or off site. Mr. Orell added that the intent of UTEC is not to have employees here long term, but rather to get processes in place, get individuals trained and then turn over those processes and systems to the staff. UTEC may remain the Town's consulting electrical engineers of record, but most things, after this initial project work could be done in-house with our permanent staff.

Alderman Roberson noted that at the retreat that the electric division did not have a formal safety program. He explained that Haywood EMC provides monthly training and safety programs for staff and that there was information in personnel files regarding such training. Mr. Orell noted that the safety program should identify specific training that all personnel should be doing and a schedule for training. Manager Onieal added that the senior linemen have been well trained over time – but newer groundsmen's training has been haphazard at best and that the turnover of employees in the electric division over the last decade has been unusually high. Our goal is to ensure that all our staff receive all of the training they need to be safe and to be properly trained to back each other up and to be promoted from within the organization. That is especially crucial to a division that functions with only six full-time employees.

Mr. Orell added that when UTEC made the initial report in March, it was based almost entirely on the information that they gleaned from meetings, primarily with Mr. Baker and the Electric Services staff, in addition to site visits made to inspect the system's physical assets. Manager Onieal added that if the Town does not need to spend money in training or on specific projects, then the money will not be spent, but we have paid professional consultants to evaluate the condition and capacity of our system and based on my experience with other electric systems the advice is sound. The identified projects we need to undertake are important whether UTEC assists us or we have someone else assist us.

Mayor Brown asked if the GIS mapping is something that needs to be done and if there was a listing based on necessity or priority. Mr. Davis answered that the electric mapping is a key piece that will be used for other projects. It will be used for proactive tree trimming and right of way procedures. Mr. Davis noted that mapping is critical for switching between substations. Mr. Orell added that the coordination of fuses and what sizes and how they should be set is part of the mapping. When there is a fault, the portion of the system without power can be minimized if the mapping is current. The switching procedures, in order to isolate or serve from a different circuit, the opening and closing and loads on the system are all tied to the GIS system.

Mr. Orell explained that the cost of service study needs to be completed in order to have appropriate and correct rates in place before the change over to Santee Cooper. This study tells how

customers are creating costs on the system taking into account all of the fixed and variable costs as well as demand costs. Once this process is completed, there will be appropriate rates for the Town which can be used to determine how to bill the customers and making rates equitable. Mr. Orell added that as time moves on and costs change, the study can be adjusted to see what the new rates should be. He reiterated that this needs to be done before the move to Santee Cooper, ideally to be completed by the early fall. The board will vote to approve the rates from the study.

Manager Onieal noted that the priorities on the spreadsheet were indicated by the start date for the project. The projects for meter testing and substation maintenance contracts will not be a duplication of costs as those contracts had been allowed to expire quite some time ago and will need to be renegotiated regardless of what vendor is ultimately selected; all functions and projects on the list will need to be completed, whether they are handled in house by staff, handled by UTEC or another third-party vendor.

Mr. Orell noted that UTEC had recently completed specifications for a project for substation maintenance and he proposed that those specifications be tweaked for Waynesville and get quotes from those who can provide these services. Regarding the meter testing, the town should eventually do their own meter testing. Mr. Davis is working with other meter programs and will recommend a program and equipment to use to test. Any adjustment or re-sets of equipment can be done by the Town which will result in more revenue.

Mayor Brown asked how the board wished to proceed. If additional information was required or if there were any other issues to discuss. Alderman Roberson asked if the Finance Officer had to approve or co-sign contracts over a certain threshold. Manager Onieal explained that once the budget is approved, contracts are paid from that budget via the activities of the department or operational costs. Only if a threshold is exceeded would a budget amendment be required.

Mr. Orell asked to highlight one additional project – the electric load growth plan. What UTEC has found is that Town has become somewhat landlocked by Duke Energy and Haywood EMC with a number of customers inside the city limits who could be served by Town, but are not. Mr. Davis noted that this effort is where the Town can make money and to be in position to serve new customers and new load. As the electric utility system provides 34% of town-wide revenue, having the ability to expand could increase and improve the bottom line. Mr. Davis reiterated that Waynesville has a very good electric utility system with two substations that are in good shape, with no falling wires or poles. The goal is to assist the town in using the capital asset to generate more revenue for the town.

Mayor Brown asked the board again if this provided the information that they needed and if there were any further questions.

Alderman Greeley Wells commented that since there was an existing relationship with ElectriCities, were there any projects that could be done under that agreement for free, rather than under the UTEC contract. Manager Onieal explained that ElectriCities did have safety and training programs available that were quite good, but that generally Electricities is a professional association for municipal electrical systems with opportunities for economic development, lobbying capabilities and some shared services, much like the League of Municipalities is for towns as a whole. She explained that they do not provide technical engineering services or hands-on consulting or professional on-site management support for the types of projects for which we have engaged UTEC. Manager Onieal did acknowledge that one piece that may overlap is the safety program and training. However, UTEC is

making sure that we have a systematic safety program in place and the tracking of training would be done internally. Manager Onieal assured the board that there would be nothing duplicative and all costs would be carefully monitored. She noted that the previous administration had severed the Town's relationship with Electricities a number of years ago, and that based on her good experience with Electricities in Eastern North Carolina she had renewed the Town's relationship with Electricities last fall specifically to take advantage of the Training and Safety program for our employees. Alderman Greeley thanked Manager Onieal and the UTEC representatives for their thorough presentations.

2. Career Track

Manager Onieal provided copies of a notebook containing all of the preliminary departmental career track proposals that have been submitted by department directors to HR Manager Margaret Langston for review since last fall. She noted that there was a lot of information in the books to digest and that while some departments had submitted as early as August, some had only come in within the last couple weeks and that even the manager was just seeing the submittals for the first time this week. Manager Onieal acknowledged that there had been some concerns about the delay in getting the career track program implemented, but she explained if this had been an easy thing to do, you would see more municipalities with career track in place. There is no perfect pay plan, and trying to craft a customized department-by-department plan that is also fair and equitable and transparent is an extremely difficult thing to do and perhaps we were overly ambitious when we said we could get it done in six months time. She explained that the career track was intended to do several things: to ensure that employees are paid fairly within market and allow the Town to be competitive in attracting talent. There are a number of factors involved with pay studies and development of equitable pay scales such as the scope of responsibilities, skills of employee, liability assumed, number supervised, job difficulty, current market comparisons, etc... Manager Onieal also noted that there are internal equity issues such as paying someone who is doing the same job, the same as someone else doing that job.

Manager Onieal explained that the existing pay plan structure was created with the best of intentions, but is outdated. Steps were included in positions – one-per-year for thirty years. Realistically, no one today takes and stays in the same job for 30 years. She commented that over the past ten years, the town has kept up fairly well with the cost of living adjustment (COLA) but the pay plan has been skewed and has not kept up with the surrounding market. This has caused certain classes of employees to be prone to turn-over and movement to other local governments based on pay. Manager Onieal noted that Waynesville has to be careful that we are not a training ground for other areas.

Manager Onieal clarified that development of the career track program had two specific goals: the first to address succession issues and to provide appropriate training, education and certification opportunities for staff to be prepared to take on succeeding more responsible roles within the organization. The second goal is to open opportunities for employees to within their existing jobs and departments encouraging stability and minimizing turnover and to take out the mystery of employee compensation, recognition and reward. Manager Onieal explained that when you do something like this it means customizing an approach for each department. There were great intentions at this time

last year to make this happen by January 1. She noted that the Police Department was the first to get their career track progression in place with their plan encompassing all positions from entry level to the Chief. The Police Department career track provides the requirements for training, time within a particular grade and how to get to the next level through a combination of training, certification and time in grade.

Manager Onieal noted that it takes much work to create a career track program from scratch and create equity across departments. She provided an illustration of how difficult it is to make these schedules equitable between departments. Manager Onieal asked Ms. Langston to speak about the issues across departments and Mr. Caldwell to explain about the computer programming and payroll system. Mr. Caldwell noted that the payroll system did not currently have capabilities to individually grant raises outside of the pre-programmed steps. Assistance will be required from the payroll provider to re-program the system. Manager Onieal clarified that the payroll system has the capability to be programmed any way we desire to program it, but that the dilemma is with our staff finding the time to train and actually get the work done in a train environment and then get the live re-programming done in between biweekly payroll runs. Finance Director Eddie Caldwell provided a detailed memo included in the notebooks explaining this technical matter in more detail in the notebooks distributed

Manager Onieal was encouraged by the amount of time that department managers had put in and the inclusion of staff in developing the career track progressions. She acknowledged that career track would not be viable by July 1 due to the support work that is still necessary from HR and Finance to support the systemic changes necessary to make a career track program work town-wide. There was no ill intent behind leaving the 2% that was budgeted in FY15 for career track unallocated. The deadlines we set for ourselves simply could not be met despite the best efforts of the Leadership Team to make it happen. The funds that were budgeted for salary adjustments in FY15 were allocated to COLA and reorganization adjustments and the career track monies simply reverted to fund balance at June 30, therefore the manager has proposed re-allocating careertrack funds in the FY16 budget for adjustments as soon as the career track program can be implemented. In addition, there is a budget proposal to go ahead and make other salary adjustments effective with the first pay period in July, because the manager does not feel it is appropriate to hold off employees any longer with the promise of a program that is not yet ready to implement.

Alderman Roberson asked if the 2% would have covered all staff. Manager Onieal noted that since there was no program in place there were no career track advancements possible; the police department was the only one ready for such increases. Alderman Roberson asked if the police could be given the adjustments as theirs was ready.

Alderman Freeman inquired how the police department could be singled out. Everyone is not on the same page. Alderman Roberson noted that all employees were given a 1% COLA raise last year and that the piece reserved for career track did not get allocated.

Manager Onieal reported that all career track information has been turned in to Human Resources. Alderman Freeman asked where did career track stand as of today? Ms. Langston noted

that there was still work to be done and would take some time. She agreed that if there were funds available, employees should get something. Manager Onieal passed out a revised proposal for increases in July.

Alderman Greeley inquired if you look at career track and decide that this is not the route to take, what do you do then? Manager Onieal answered that the town would make the most of the 5% that is plugged into the budget and use for employee increases. She added that some departments were able to model career tracks after those already provided by state apprenticeship or certification programs, but that it is very difficult to model for some departments such as recreation and administrative functions. She acknowledged that there may even be some job classes or areas that simply don't lend themselves well to career track, but that the majority of departments could include a career track overlay. Most departments have turned in a proposal for a career track progression but at this point no department other than police has turned in a budgetary formula for what might be considered a reasonable monetary reward based on market for each step. The step that will need to follow those monetary proposals will be a cross-department comparison to ensure that the monetary rewards are equitable across departments.

Alderman Roberson asked if employees could be provided with raises now while still working to finalize the career track programs. Manager Onieal expressed that she had revised a proposal relating to salary and benefit adjustments for the upcoming fiscal year 2015-16. The original proposal included in the budget was:

- 1.5% COLA = \$100,000 (at 1.5% of salary)
- 1.5% equity adjustments = \$100,000 to be applied in July on a case by case basis for positions most out of line with market rate, in comparison with 2014-15 regional and NCLM studies; to be adjusted by 08-01-2015
- 2% Career Track Reserved = conduct pay plan study and reserve \$125,000 to be implemented January 1, 2016 for completed career track program in all departments

The Manager's Revised Proposal:

- Implement new pay chart for Police Department, based on market and career track study at a cost of \$107,000, effective 07-16-15
- 1.5% COLA = \$100,000 for all non-Police personnel (at \$715/employee), effective 07-16-15
- 1% equity adjustments = \$65,000 to be applied 07/30/15 on a case by case basis for positions remaining out of line with market rates, after above adjustments
- Remaining \$53,000 to be available January 1, 2016 for initial career track adjustments in other departments as standards are fine-tuned over the coming six months.

Manager Onieal explained that the reason that the police department could implement these changes is that they have completed their career track and they are on a different pay chart in the payroll system. They will not receive the COLA adjustment if their career track is implemented at July 1. The fire department is also on a different pay plan. This is because both public safety departments work

different shifts and total number of hours during their pay period than regular employees, and thus are on completely separate pay plans.

Mayor Brown asked if it was possible to do these adjustments in the existing system. Mr. Caldwell answered that it is possible to change the grade and step to a new table. Manager Onieal added that by having a flat rate COLA adjustment per employee rather than a percentage, this would benefit those employees with lower salaries the most.

Manager Onieal commented that the goal is to have career track fully implemented by Jan 1, 2016 and look more toward a more transparent pay plan. The idea is to complete a true pay and classification study before the next fiscal year to assist in providing the best compensation plan.

Alderman Freeman asked who was performing the pay study. Manager Onieal answered that Western Carolina University was completing a brief study of our existing pay plan and would provide a simple analysis of where our employees sit in regard to minimum, mid-range and maximum for all positions with some recommendations how to move employees closer to market rate, but that no consultant had been selected for a comprehensive market study of all positions.

Alderman Roberson asked if all of the police department members were paid members. They are all paid employees and included on the listing in the career track plan. Ms. Langston added that the chief should be included in the adjustments.

Chief Hollingsed thanked her for the consideration, but making the adjustment available for the other officers was the goal. He noted that there were some individuals who had a zero increase indicated. This is due to the fact they had not been with the department for the requisite two year period for career track progression.

Mayor Brown commented that this seemed like a good proposal and a good compromise that benefits everyone. Alderman Roberson agreed that if everyone got the flat raise for COLA this was an appropriate thing.

Mayor Brown asked if the board wanted to pursue the career track program. He acknowledged that this development does take a lot of time. Alderman Roberson added that with the amount of time spent so far and considering it is still difficult to accomplish, it would be beneficial to keep it and look at it for the future. He acknowledged that it had merit, but he wanted assurance that the program was ready before implementation. Mayor Brown asked Alderman Caldwell to comment. Alderman Caldwell noted that if the program gets off the ground, it could be beneficial.

Department managers were asked to weigh in on their experiences during development of the career tracks. Mr. Foster explained that the Public Services career track was based on the Department of Labor and Department of Commerce standards in all five divisions. There are approximately 180 tracks in chart form. Mr. Foster noted that this puts the responsibility of career development on the employee.

Fire Chief Webb noted that while there was some difficulty initially in beginning the process, he had worked to develop the steps. He explained that there are firefighters who have been working for many years who are on the same level as those who are just starting out. By developing the career track and having education requirements and various positions illustrated, there is the potential for additional succession planning.

Mayor Brown asked Mr. Langston and Mr. Caldwell if this is something that we should be aiming ourselves to in the future. Their departments are small (13 FTE in Recreation, 10 in Finance), but Mr. Caldwell explained that the focus is on cross training in finance to ensure that operations are continuous. Mr. Langston noted that in his department, the career tracks are more experience driven rather than dependent upon educational or certification hours. The same applies for the Administrative jobs throughout the organization.

Alderman Freeman noted that career track seemed to work well with personnel evaluations and added that just because someone has a degree, does not mean they are performing to job level.

Ms. Langston added that she thinks the career track is valuable for employees. Mr. Caldwell confirmed that 45-50% of the budget goes to employees; they are the biggest asset. Mayor Brown asked if there were any issues for individuals down the road. Could they still transfer to other departments? Manager Onieal noted that career track supports those who wished to stay within their departments to be recognized and rewarded with salary adjustments without having to wait for vacancies to open up to be formally promoted. She noted that this gives employees a defined path from entry level to department director level if they have the ambition and drive. She reminded that department directors are not actually on career track and that at that level compensation is still a matter of COLA and/or merit based on annual work plans.

Chief Hollingsed noted that the career track was designed so that employees earn their position; it is not handed to them based on how long they have been with the department. The track is set up with the potential for movement every two years and employees are the ones who put the motivation into it.

Mayor Brown asked how the board would like to proceed. Merit pay went away in the early 2000's and was abandoned due to issues such as inequity in distribution. Mayor Brown asked Mr. Caldwell about longevity pay and the current amount for the town. Mr. Caldwell noted that the current amount is \$41,000.

Mayor Brown commented that the contribution of 5% to employees for 401(k) was generous and that this was one of the things that the town tries to do for employees. Ms. Langston added that she provides information to all employees outlining what the town pays on their behalf for salary and benefits and it is anywhere from 30 – 50% more. She noted that employees really do appreciate these benefits.

Mayor Brown asked if there were any further questions from the board and if all could agree that the revised proposal was appropriate for the upcoming year. Alderman Roberson commented that this was real money going to employees.

Based on a suggestion by Alderman Greeley, by consensus, the Board agreed that if career track cannot be implemented by the end of FY16, then any remaining funds set aside for that purpose in FY16 should be shared with employees.

C. CLOSED SESSION

Mayor Brown requested that due to the late hour that the closed session for the manager's performance review be postponed until the regular meeting of June 23. Members agreed by consensus.

D. ADJOURN

There being no further business to discuss, Alderman Roberson made a motion, seconded by Alderman Greeley, to adjourn the meeting at 8:48 p.m. The motion carried unanimously.

ATTEST

Gavin A. Brown, Mayor

Marcia D. Onieal, Town Manager

Amanda W. Owens, Town Clerk